

P-999/CI-85-582 ORDER PROVIDING DISCOUNT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
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In the Matter of a Summary
Investigation into IntraLATA
Toll Access Compensation for
Local Exchange Carriers
Providing Telephone Service
within the State of Minnesota

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PROCEDURAL HISTORY

As a result of the 1983 Modification of Final Judgment¹ which ordered the divestiture of AT&T, Minnesota was divided into five LATAs (Local Access and Transport Areas). Requirements for the provision of interLATA equal access were also developed in the 1983 Order. Minnesota telephone end offices are currently divided into those which are converted and those which are not converted. Converted end offices offer interLATA equal access presubscription, the ability to access a preselected interexchange carrier (IXC) for a toll call by dialing only the prefix 1 or 0 and the appropriate telephone number (1 + presubscription). Unconverted end offices do not offer equal access; customers in unconverted exchanges who dial 1 + automatically connect with the designated carriers, AT&T for interLATA and US WEST for intraLATA.

Customers in unconverted exchanges who wish to select alternative IXCs must use Feature Group A (FG-A) or Feature Group B (FG-B) access. Customers who use these means of access must dial several digits before the appropriate telephone number to reach the selected IXC. FG-A and FG-B offer lower quality transmission and fewer features than 1 + or Feature Group C (FG-C) or Feature Group D (FG-D) access.

¹ United States v. American Telephone & Telegraph Company, 552 F.Supp. 131 (D.D.C. 1983), aff'd sub nom, Maryland v. United States, 102 S.Ct. 1240 (1983).

Because customers in unconverted exchanges who wish to select an alternative carrier must use a multi-digit access of inferior quality, there is little natural competition for the designated carrier in an unconverted exchange. To "level the playing field" for alternative IXC's in unconverted exchanges, the Commission placed a 55% discount on the interLATA access charges imposed by the local exchange carriers upon IXCs for FG-A or FG-B access. Due to the discount, the use of such services costs 55% less in access charges than the use of 1 + service would cost if such service were available. The discount ends whenever an end office is converted to FG-D interLATA 1 + equal access and all IXCs are on an equal competitive footing regarding 1 + access.

Customers in converted end offices can reach any IXC subscribing to FG-D access for interLATA calls by dialing 1 +. Customers in converted end offices who wish to select alternative IXCs for intraLATA calls can reach the IXCs through FG-A, FG-B, or FG-D access. Those end users who select IXCs with FG-A or FG-B service receive inferior transmission and few options and must dial multiple digits before the proper telephone number. Customers who select IXCs with FG-D intraLATA access receive service equal in quality and options to 1 + service in the interLATA context. However, because 1 + presubscription is not yet available for intraLATA toll calls in Minnesota, the users must dial 10XXX plus the telephone number to access the desired FG-D alternative carrier.

In previous Orders in this docket dated November 2, 1987² and January 11, 1988³ the Commission turned its attention to issues of competition in intraLATA toll from converted end offices. The Commission found that 1 + presubscription is necessary for effective competition. Because alternative IXCs are at a disadvantage by not having this service available for intraLATA toll calls, the Commission set a 25% discount on FG-D 10XXX access charges imposed upon these carriers. The discount was meant as a temporary measure until the IXCs attained dialing parity through the initiation of 1 + presubscription for intraLATA end users. The discount was implemented on August 1, 1988.

The Commission wished to reassess the discount at a later date, when more information was available on the altered market shares between IXCs with 1 + dialing and those with FG-D 10XXX access. In order to have the information necessary to reassess the discount, the Commission directed the Department of Public Service (the Department) to report to the Commission.

² FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER AND ORDER INITIATING SUMMARY INVESTIGATIONS.

³ ORDER AFTER RECONSIDERATION

On August 1, 1990, the Department filed its report regarding the intraLATA access discount. The Department stated in its report that there was insufficient information available to assess the appropriateness of the discount based on altered market shares. The Department did, however, report on several issues regarding the intraLATA access discount.

On September 6, 1990, US WEST Communications submitted comments regarding the Department's report.

On December 12, 1990, the Commission issued a Notice of Comment Period to all interested parties.

Comments were filed on January 11, 1991 by United Telephone Company, the Minnesota Independent Coalition, AT&T, and Allnet. Comments were filed by MCI Telecommunications on January 14, 1991.

The Commission met to consider the Department's report on August 6, 1991.

FINDINGS AND CONCLUSIONS

The Department raised several issues in its August 1, 1990 report to the Commission.

Should FG-A and FG-B intraLATA access be discounted?

In its November 2, 1987 Order the Commission placed a 25% discount on access charges for FG-D 10XXX intraLATA access in converted end offices, until 1 + presubscription becomes available. In its report, the Department recommended extending the discount to FG-A and FG-B services to compensate IXC's for their lack of dialing parity. MCI and Allnet supported the DPS's recommendation. All other commenting parties opposed this notion.

The Commission finds that it is not necessary or appropriate to extend the intraLATA access discount to FG-A or FG-B access. A discount for FG-D 10XXX intraLATA access is appropriate because IXC subscribers to FG-D are attempting to provide service as equal as possible to 1 + service. FG-D 10XXX is equivalent to 1 + equal access in transmission quality and level of options; only the 1 + dialing feature is lacking, because it is presently unavailable for intraLATA calls. The Commission made a reasoned decision in its November 2, 1987 Order to compensate FG-D subscribers for their lack of dialing parity by discounting the access charges.

The Commission's discount for FG-D access was meant to encourage intraLATA competition for the highest quality available service, until such time as equal access 1 + dialing becomes available. This policy would not be served by extending the discount to FG-A or FG-B access. These services are of lower quality than FG-D, and their proliferation would represent a step backward rather than forward for intraLATA telephone service. For this reason, the Commission will not extend an access discount to FG-A or FG-B intraLATA access in converted end offices.

What discount should apply to intraLATA FG-D access?

In its November 2, 1987 Order, the Commission initiated a temporary 25% discount for intraLATA FG-D 10XXX access in converted end offices, until 1 + presubscription becomes available. The Commission promised to reevaluate the discount after it had been in place for a period of time.

In its August 1, 1990 report, the Department recommended a continuation of the 25% discount, or in the alternative, a 55% discount to match the discount applied to FG-A and FG-B access in unconverted end offices.

The Commission finds that it is appropriate to continue the 25% discount for FG-D intraLATA access in converted end offices where 1 + presubscription is unavailable. In its report, the Department provided no new market share or traffic data to warrant a change in the present discount level. The Commission finds that 25% remains an appropriate level at which to compensate IXCs subscribing to FG-D 10XXX access until 1 + presubscription access becomes available.

Should the discount apply only to the originating side of a call or both originating and terminating?

In the Commission's January 11, 1988 Order, the Commission applied the FG-D intraLATA access discount only to the originating side of a call. In its August 1, 1990 report, the Department recommended that the discount continue to apply only to the originating, not the terminating, side of a call.

The Commission agrees with the Department that this application of the discount should continue. It is only on the originating side that the lack of 1 + dialing capability can be noticed. It is only for originating calls, therefore, that FG-D subscribers should be compensated through a discount.

Other issues

Two other issues raised by the Department were contingent upon the Commission's application of a discount to FG-A and FG-B intraLATA access in converted end offices. Since the Commission has found that the discount should not be extended to these services, the remaining issues are no longer relevant.

ORDER

1. All local telephone companies providing interLATA equal access shall provide a discount of 25% on FG-D intraLATA originating access minutes of use from conforming end offices until such time as intraLATA presubscription is available.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)